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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000766

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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [EAIR](#) [ETRD](#) [IZ](#)

SUBJECT: FINANCE MINISTER JABR ON BUDGET, SONS OF IRAQ, AND
IRAQI DEBT WITH KUWAIT

REF: A. BAGHDAD 751
[B](#). BAGHDAD 756
[C](#). BAGHDAD 643

Classified By: Economic Minister Counselor Marc Wall for reasons 1.4(b)
and (d)

[1](#). (C) Summary: Minister of Finance Bayan Jabr on March 19 told EMIN that the government has not yet decided whether to acquiesce with the changes that parliament included in the 2009 budget or to insist that the Council of Representatives (CoR) approve additional expenditures. The Council of Ministers, Jabr said, decided on March 17 to allocate around USD 100 million to the Sons of Iraq (SoI) security program and authorized the Ministry of Interior to pay SoI salaries for four months. The CoR and CoM will discuss alternate sources for funding SoI salaries for the remainder of the year. Jabr said that he heard that USD 14 million was approved for renewal of air traffic control contracts. Jabr will urge the Foreign Minister to send a high-level delegation to the UNCC Governing Council meeting in April. End Summary.

2009 Budget

[2](#). (C) EMIN met with Minister of Finance (MoF) Bayan Jabr on March 19 to discuss decisions reached by the Council of Ministers during their session on March 17 that was devoted largely to assessing the amendments that the parliament had made to the 2009 budget (refs). Jabr reported that the CoM established a subcommittee to resolve outstanding budget issues; the subcommittee will consist of Jabr, the Secretary General of the CoM Ali al-Alaq, the PM's Legal Advisor Dr. Fadl, and the Finance Ministry's Budget and Legal Directors-General. Jabr said that the subcommittee had met on March 18 and discussed contentious budget issues for three hours. (Note: According to another minister present at the March 17 CoM meeting, PM Maliki complained bitterly about the budget the CoR had approved, condemning it as a political attack on the PM and his Da'wa Party without regard to the national interest. The CoR's draft stripped the PM's office of significant discretionary funding. Cabinet members were also unhappy, as the budget is significantly leaner than they were hoping, reflecting reduced revenues from falling oil prices. End note.)

[3](#). (C) Jabr stated that ultimately the government is faced with only two options on the budget: either accept the budget as approved by the CoR on March 5, implementing the required transfers and the USD 4 billion reduction in the budget; or find a way to reject the CoR's budget and send it back. (Note: According to CoR staff, the bill was formally sent to the Presidency Council for ratification on March 10, but returned to the CoR the following day with a formal request that the CoR include a detailed table showing where the USD 4 billion in cuts would be made. The bill still sits at the CoR, which is out of session until April 14. End note.) The Ministry of Finance has already prepared budget figures for

the CoR's budget, including a USD 4 billion reduction in overall expenses and transfers from the capital budget worth USD 1.4 billion to finance the GE and Siemens contracts. The CoM will meet again on March 22 to discuss the budget and the work of the subcommittee. If they decide not to fight, the Finance Ministry will provide the necessary data to the CoR and the bill will once again be sent to the Presidency Council for ratification (note: the Presidency Council has ten days to take action on the bill, after which it automatically becomes law). Alternatively, according to Jabr, the CoM might seek a way to essentially send the budget back to the CoR and request an additional USD 1.4 billion in Qback to the CoR and request an additional USD 1.4 billion in funding for the electricity contracts; Jabr did not specify how this legal maneuver would be accomplished. In this scenario the CoR would be asked to increase the size of the capital budget, rather than transferring funds from other accounts, resulting in an increased deficit. This alternative option would mean waiting for action on the budget until the CoR reconvenes on April 14. Jabr commented that the budget decision would then be delayed until May at the earliest.

Sons of Iraq

14. (C) The CoM, Jabr said, decided on March 17 to allocate around USD 100 million to the Sons of Iraq (SoI) (the armed neighborhood watch program identified with significant improvements in Iraq's security since 2007) and authorized the Ministry of Interior (MoI) to pay SoI salaries for four months. The funding for the SoI salaries will come out of the MoI's employee compensation budget which is large enough

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to cover both MoI and SoI salaries for the four months. Jabr said that "security is a priority," and added that during these four months, the Cabinet and CoR will discuss alternate sources for funding SoI salaries for the remainder of the year and will "reimburse" the MoI's salary budget. (Comment: MoI still has questions on how they will execute the SoI salary payments. End comment.) Jabr suggested that the MoI seek counsel from the Minister of Finance's (MoF's) legal and budget divisions on processing the payments.

Air Traffic Control Contracts

15. (C) On the funding for renewal of air traffic control contracts, Jabr said that he did not partake of the full discussion of this issue, but he did hear that the USD 14 million was approved. He said that the Ministry of Transport, along with the Prime Minister's Legal Advisor Dr. Fadl, would be responsible for renegotiating and executing the contracts.

UNCC Negotiations and Morocco Debt

16. (C) Jabr said he supported the GoI sending a senior delegation to the United Nations Compensation Commission (UNCC) in April to address reducing from five percent to one percent the amount of Iraqi oil revenues automatically paid to Kuwait under the UNCC as compensation for damages from the 1990 invasion. Jabr said he will raise this with the Foreign Minister and add an MOF official to the delegation attending the UNCC. He asked EMIN to engage the MFA and assist on this issue. Jabr added that he received a letter yesterday from Morocco's Ministry of Finance inviting Iraq to send its legal and financial advisors to Morocco to finalize their bilateral debt agreement.

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